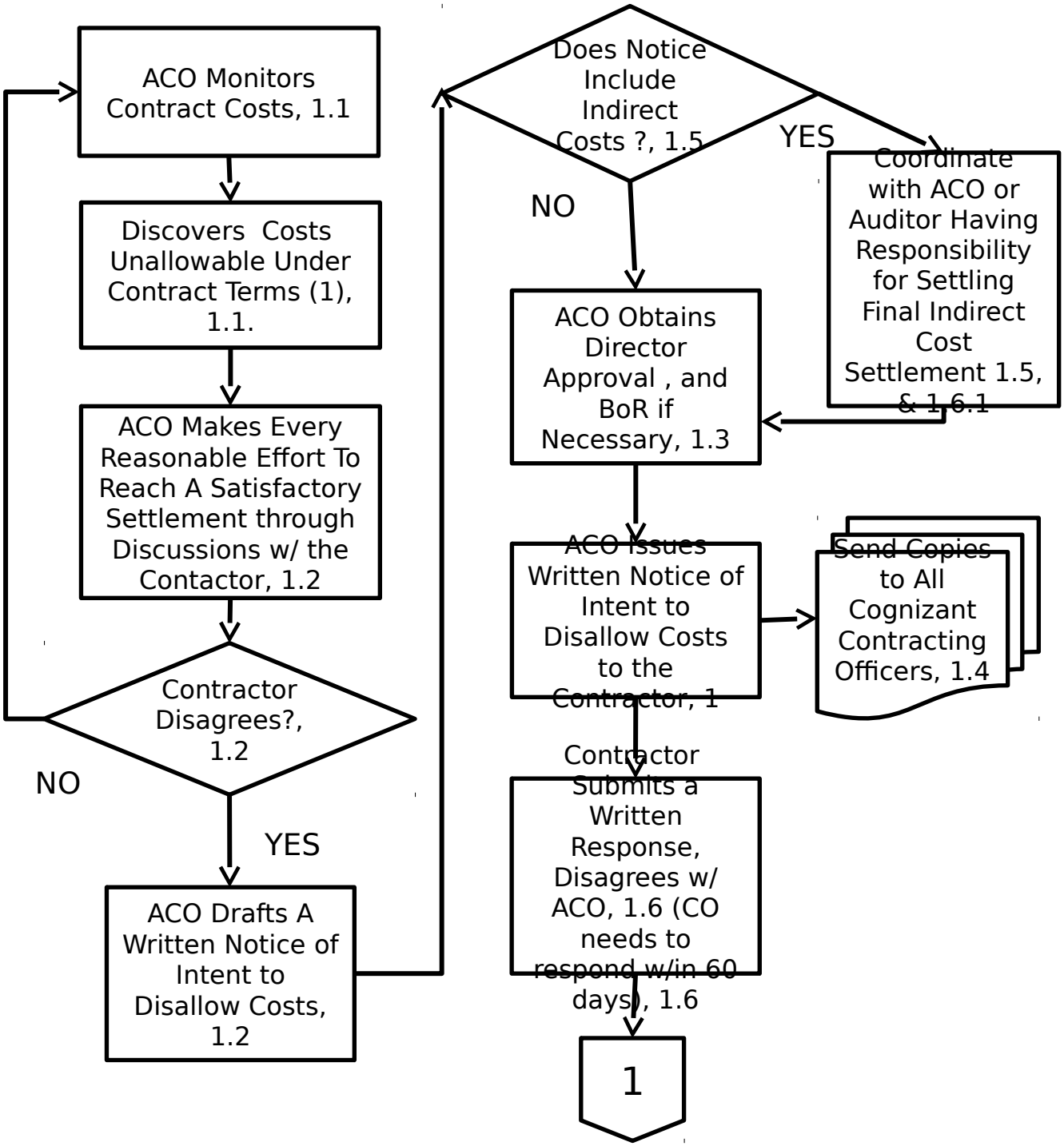
Disallowance of Costs

1. Notice of Intent to Disallow Costs


ACO Monitors Contract Costs, 1.1
Discovers Costs Unallowable Under Contract Terms (1), 1.1.
ACO Makes Every Reasonable Effort To Reach A Satisfactory Settlement through Discussions w/ the Contactor, 1.2
Contractor Disagrees?, 1.2
NO
YES
ACO Drafts A Written Notice of Intent to Disallow Costs, 1.2
Does Notice Include Indirect Costs ?, 1.5
YES
NO
Coordinate with ACO or Auditor Having Responsibility for Settling Final Indirect Cost Settlement 1.5, & 1.6.1
ACO Obtains Director Approval , and BoR if Necessary, 1.3
ACO Issues Written Notice of Intent to Disallow Costs to the Contractor, 1
Send Copies to All Cognizant Contracting Officers, 1.4
Contractor Submits a Written Response, Disagrees w/ ACO, 1.6 (CO needs to respond w/in 60 days), 1.6
1

Cost-reimbursement contracts, which should include clause at 52.242-1, per FAR 42.802.

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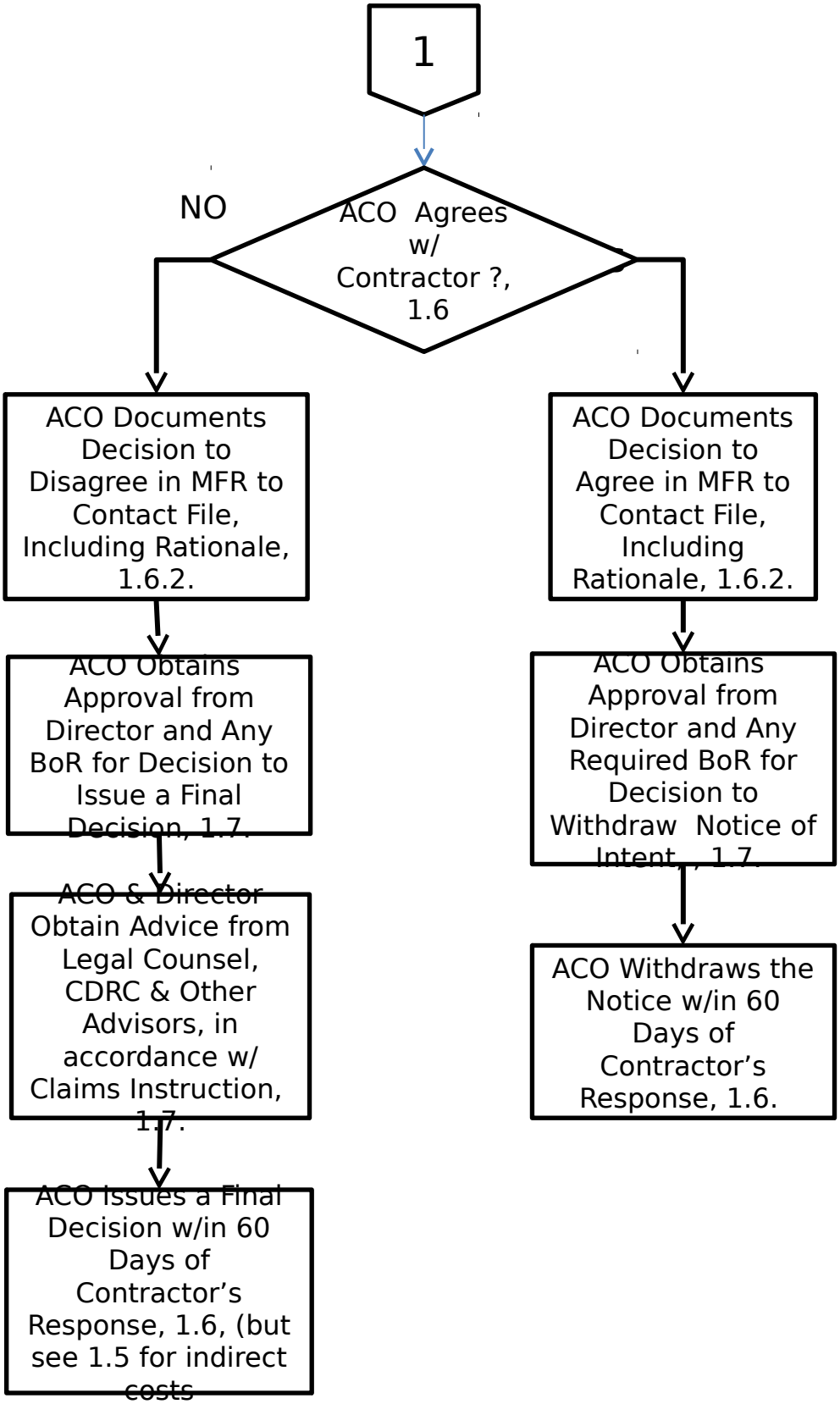
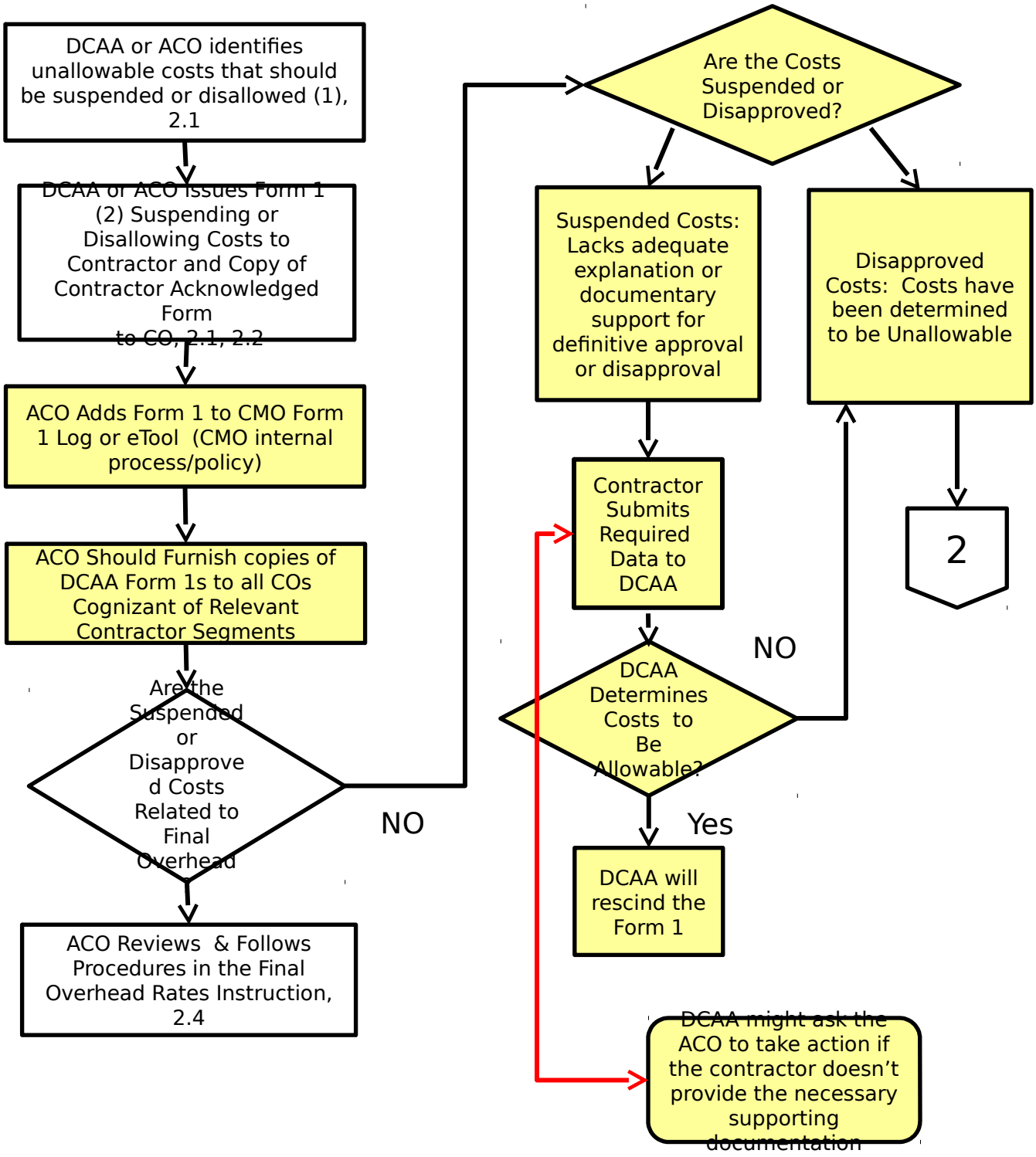

1
NO
ACO Agrees w/ Contractor ?, 1.6
ACO Documents Decision to Disagree in MFR to Contact File, Including Rationale, 1.6.2.
ACO Documents Decision to Agree in MFR to Contact File, Including Rationale, 1.6.2.
ACO Obtains Approval from Director and Any BoR for Decision to Issue a Final Decision, 1.7.
ACO Obtains Approval from Director and Any Required BoR for Decision to Withdraw Notice of Intent, , 1.7.
ACO & Director Obtain Advice from Legal Counsel, CDRC & Other Advisors, in accordance w/ Claims Instruction, 1.7.
ACO Withdraws the Notice w/in 60 Days of Contractor's Response, 1.6.
ACO Issues a Final Decision w/in 60 Days of Contractor's Response, 1.6, (but see 1.5 for indirect costs

2. Disallowing Costs After Incurrence – DCAA Form 1s


DCAA or ACO identifies unallowable costs that should be suspended or disallowed (1), 2.1
DCAA or ACO issues Form 1 (2) Suspending or Disallowing Costs to Contractor and Copy of Contractor Acknowledged Form to CO, 2.1, 2.2
ACO Adds Form 1 to CMO Form 1 Log or eTool (CMO internal process/policy)
ACO Should Furnish copies of DCAA Form 1s to all COs Cognizant of Relevant Contractor Segments
Are the Suspended or Disapproved Costs Related to Final Overhead
NO
ACO Reviews & Follows Procedures in the Final Overhead Rates Instruction, 2.4
Are the Costs Suspended or Disapproved?
Suspended Costs: Lacks adequate explanation or documentary support for definitive approval or disapproval
Disapproved Costs: Costs have been determined to be Unallowable
Contractor Submits Required Data to DCAA
2
DCAA Determines Costs to Be Allowable?
NO
Yes
DCAA will rescind the Form 1
DCAA might ask the ACO to take action if the contractor doesn't provide the necessary supporting documentation

(1) Cost-reimbursement contracts, which should include clause at 52.242-1, per FAR 42.802.

(2) DCAA Form 1: Notice of Contract Costs Suspended/Disapproved

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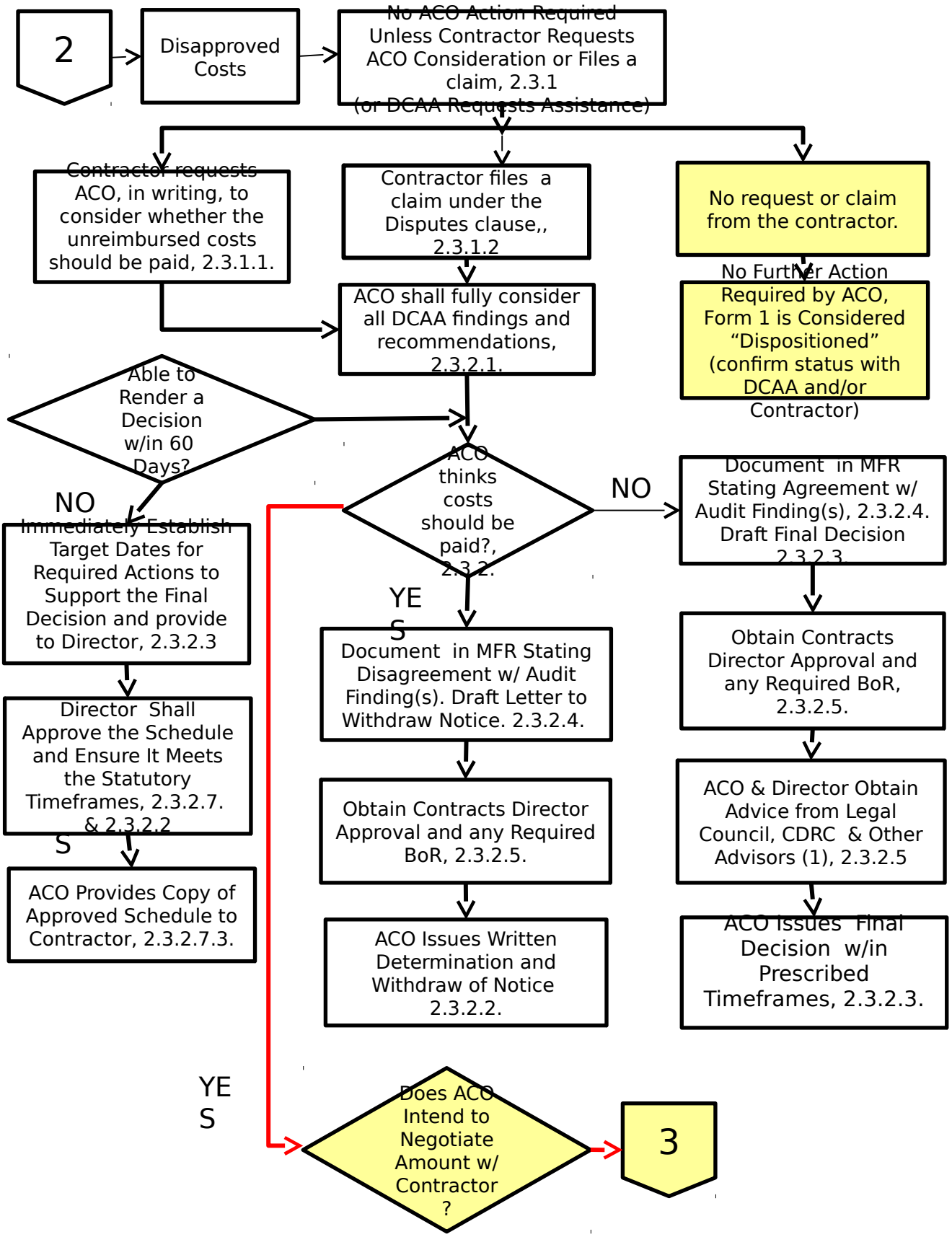
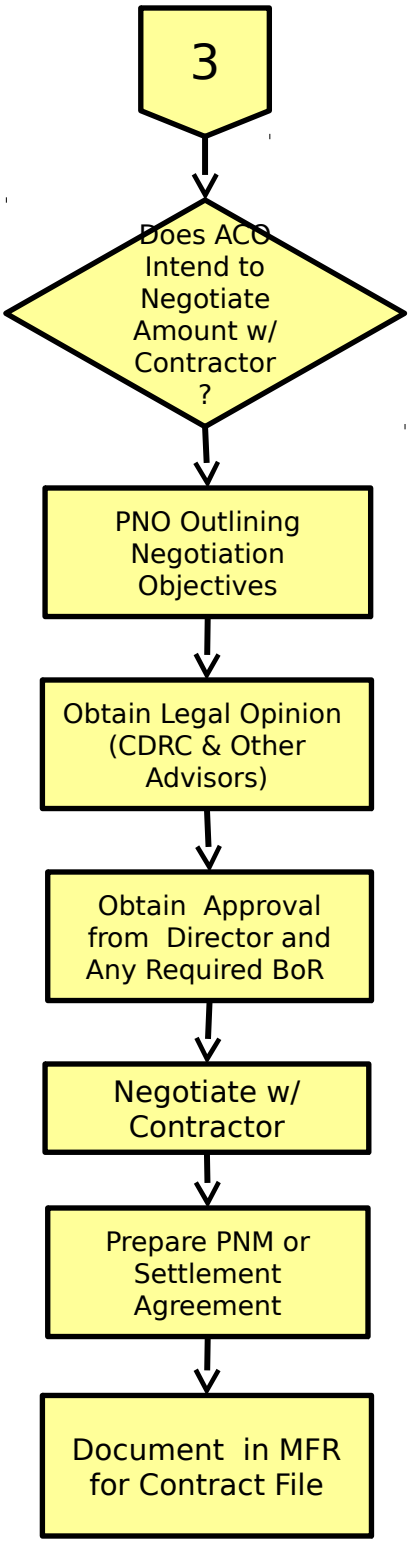

2
Disapproved Costs
No ACO Action Required Unless Contractor Requests ACO Consideration or Files a claim, 2.3.1 (or DCAA Requests Assistance)
Contractor requests ACO, in writing, to consider whether the unreimbursed costs should be paid, 2.3.1.1.
Contractor files a claim under the Disputes clause,, 2.3.1.2
No request or claim from the contractor.
No Further Action Required by ACO, Form 1 is Considered "Dispositioned" (confirm status with DCAA and/or Contractor)
ACO shall fully consider all DCAA findings and recommendations, 2.3.2.1.
Able to Render a Decision w/in 60 Days?
NO
Immediately Establish Target Dates for Required Actions to Support the Final Decision and provide to Director, 2.3.2.3
Director Shall Approve the Schedule and Ensure It Meets the Statutory Timeframes, 2.3.2.7. & 2.3.2.2
S
ACO Provides Copy of Approved Schedule to Contractor, 2.3.2.7.3.
ACO thinks costs should be paid?, 2.3.2.
NO
Document in MFR Stating Agreement w/ Audit Finding(s), 2.3.2.4. Draft Final Decision 2.3.2.3
YES
Document in MFR Stating Disagreement w/ Audit Finding(s). Draft Letter to Withdraw Notice. 2.3.2.4.
Obtain Contracts Director Approval and any Required BoR, 2.3.2.5.
ACO Issues Written Determination and Withdraw of Notice 2.3.2.2.
Obtain Contracts Director Approval and any Required BoR, 2.3.2.5.
ACO & Director Obtain Advice from Legal Council, CDRC & Other Advisors (1), 2.3.2.5
ACO Issues Final Decision w/in Prescribed Timeframes, 2.3.2.3.
YES
Does ACO Intend to Negotiate Amount w/ Contractor ?
3

(1) In accordance with DCMA Contract Claims and Disputes Instruction

2. Disallowing Costs After Incurrence – DCAA Form 1s


3
Does ACO Intend to Negotiate Amount w/ Contractor ?
PNO Outlining Negotiation Objectives
Obtain Legal Opinion (CDRC & Other Advisors)
Obtain Approval from Director and Any Required BoR
Negotiate w/ Contractor
Prepare PNM or Settlement Agreement
Document in MFR for Contract File